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California State Senate

SENATOR
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DEMOCRATIC CAUCUS CHAIR
TWENTY-SECOND SENATE DISTRICT



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August 20, 2012

Secretary Timothy Geithner
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Geithner:

Last week, the Treasury Department reported losses from the \$80 billion bailout of the automobile industry are now expected to be more than \$25 billion. A major driver in the increased losses is the fact that the US Government still owns 26% or 500 million shares of General Motors Corporation, whose share prices continue to drop.

Today, the California Tax Reform Association released an analysis showing that California taxpayers paid for a greater share of the federal government's \$80 billion bailout than any other state in the union. In other words, Californians paid for a staggering 11.6% of the total bailout funds. Californians are a clear stakeholder in these auto companies, especially General Motors as California taxpayers paid for 11.6% or 58 million shares of General Motors.

I bring this to your attention because of General Motors and Chrysler Corporation's continued blatant disregard for the State of California and its taxpayers. Even though General Motors and Chrysler did not hesitate to hold their hand out to the federal government when they were in dire financial straits, here in California, they are currently aggressively lobbying and campaigning to keep open a corporate tax loophole that benefits out-of-state and foreign corporations at the expense of California businesses and costs our state more than \$1 billion every year and tens of thousands of jobs.

General Motors and Chrysler are effectively, if not literally, spending tax dollars paid for by Californians to campaign and lobby against a tax loophole that costs tens of thousands of California jobs and costs those same California taxpayers more than \$1 billion per year. This is particularly difficult for Californians to swallow because without the bailout, paid for more by Californians than anyone else, these two companies would not even exist. Instead of spending the money loaned to them by Californians against Californians, these companies should be paying back the loans.

Secretary Timothy Geithner

August 15, 2012

Page 2 of 2

Additionally, the tax loophole these corporations are so desperate to keep was slipped into law in a late night backroom deal in 2009, the very same year these two automobile companies begged for billions of dollars of bailout money from the US Treasury. Technically, no one has taken credit for creating the loophole in 2009, but General Motors and Chrysler are one of only four companies who are vigorously opposing closing the loophole.

The hypocrisy of General Motors and Chrysler goes even further than begging for tax dollars on one coast while using a tax loophole to dodge taxes on the other coast. These two companies actually lobbied in favor of closing the corporate tax loophole in their home states saying it would create jobs at home, but are arguing against closing the loophole in California with a misleading argument that it will kill jobs.

In California, we understand with a global recession, everyone has to make sacrifices. However, the people in my district and my state were hit hardest by the recession. Our dwindling revenues forced us to make massive budget cuts affecting every resident of the state, but falling particularly hard on children, college students, the elderly and the most disadvantaged Californians. California would benefit immensely from the \$1 billion in revenues that would be generated by closing this corporate tax loophole and the tens of thousands of jobs the Legislative Analyst Office said this would create.

Therefore, as the largest shareholder in General Motors Corporation and the savior of the Chrysler Corporation, please demand that both of the bailout recipients immediately cease spending California tax dollars against California's best economic interests and remove their opposition to closing the corporate tax loophole that is costing our state billions of dollars and tens of thousands of jobs.

Sincerely,



KEVIN DE LEÓN
Twenty-Second Senate District